

AUG 28 1984

84-3213

General
Supplemental
File

MEMORANDUM FOR: Deputy Director for Administration

FROM: Robert W. Magee
Director of Personnel

SUBJECT: Retirement Plans--Options for Consideration

REFERENCE: Your memo, dtd 15 Aug 84, same Subject
(DDA 84-2214/1)

1. In response to reference request, attached are a series of retirement options for consideration by the EXCOM during the first week of September. We have learned that retirement legislation will be a very complex subject with multi-faceted implications involving the CIA Retirement and Disability System (CIARDS), Civil Service Retirement System (CSRS), Social Security, Congressional reviews and Administration initiatives. Initial decisions on what actions we take will be very important to our ultimate success or failure in gaining essential retirement benefits for Agency employees.

2. As you know, we have been working closely with Hay Associates, the firm which is also under contract with the House Post Office and Civil Service Committee, to determine what alternatives are being considered by the Congress and those available to us. You will recall that earlier this year I gave a briefing to the DDCI on our retirement study. I strongly recommend that an updated version of that briefing be given to the EXCOM now that Hay Associates has completed its first phase study on this issue. I believe such a briefing would assist the EXCOM members understand the complexity of the retirement issues and recommend such a presentation serve as the lead in to discussions of the various options.

Robert W. Magee

Attachment: a/s

STAT OP/EBS, (28 August 1984)

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EXCOM Consideration of Retirement Plans

Based upon the Hay Associates recent study on retirement options for the Agency, this paper provides four options for consideration by Agency management. While we may ultimately have to consider cost-saving features for these options, our initial focus has been to identify alternatives regardless of cost.

All options could contain the following ingredients:

- A) Two levels of enhanced benefits--one for "CIARDS-type" employees and one for "CSRS-type" employees. Enhancement could include such things as increasing accrual rates from the current 2% to 2 1/2% for "CIARDS-type" employees and to a flat 2% for "CSRS-type" employees.
- B) A fall back position in each alternative would be to maintain the existing two levels of benefits (2% for CIARDS and 1.85% for CSRS) if enhancement not feasible.
- C) Retention of age and eligibility criteria of existing CIARDS and CSRS.
- D) Inclusion of an optional thrift plan, 401K-type of investment program with matching Government contributions.

An enhanced level of benefits would improve our competition in recruitment and retention efforts and provide greater recognition of CIA on a level already accorded law enforcement officers, fire fighters, etc. Such action would not be without increased costs, however, and would most probably run into stiff resistance from the Congress and the Administration. Offsetting reductions in other areas such as COLAs, high-three to high-five, etc., may be required to enhance or maintain current benefit levels as well as age and eligibility requirements.

It is important to keep in mind that any options must integrate Social Security for employees hired after 31 December 1983, which will be a major part of the overall retirement effort. However, for purposes of this paper, the focus is on possible courses of action rather than mechanical details to achieve desired benefit levels.

OPTION I - SEEK LEGISLATION TO ESTABLISH A SEPARATE AGENCY-MANAGED RETIREMENT SYSTEM THAT WOULD INCLUDE ALL CIA EMPLOYEES (INCLUDE ALL CURRENT CIARDS AND CIVIL SERVICE PARTICIPANTS AS WELL AS ALL EMPLOYEES HIRED AFTER 31 DECEMBER 1983).

- PRO:
- ° Independent DCI-managed system covering all Agency employees would provide a system fully responsive to the special needs of CIA.
 - ° This is "most preferred" option which would provide CIA management with the strongest possible system as regards full compatibility in the recruitment and retention of the quality of the work force considered essential to meeting the Agency's mission.
 - ° Places oversight with Congressional intelligence oversight committees.
 - ° Increases security protection of identities of all CIA personnel.
 - ° Provides additional protection from general legislation directed at changes to the Federal retirement systems which might be incompatible with Agency's special requirements.
 - ° Reaffirm unique and demanding circumstances of clandestine service operations and support and recognition of the special needs of the CIARDS employee group.
 - ° Provides appropriate enhancement of benefit entitlements for employees who qualify for CIARDS participation at rate levels comparable to current Civil Service law enforcement, fire fighters, etc.
 - ° Recognition that Civil Service employment in CIA is clearly distinguishable from normal Government Civil Service.
- CON:
- ° Strong Congressional and Administration resistance must be expected for any proposals that would increase or maintain current levels of benefits and costs. Strong and convincing arguments must be presented to generate the level of support needed to overcome this resistance.

OPTION II -

SEEK LEGISLATION TO ESTABLISH A CIA-MANAGED RETIREMENT PLAN COVERING ALL CIA EMPLOYEES HIRED ON OR AFTER 1 JANUARY 1984 (INCLUDES BOTH CSRS AND CIARDS LEGISLATION AS REQUIRED TO MAINTAIN EQUITY BETWEEN EXISTING AND NEW RETIREMENT PLANS.)

Under this option OPM would retain responsibility for retirement administration for CSRS employees hired prior to 1 January 1984. CIARDS-types hired prior to 1 January 1984 remain the responsibility of CIA as well as all employees hired on or after that date.

PRO:

- Would bring all future employees under an independent DCI-managed system supportive of special needs of CIA.
- Would place oversight with Congressional intelligence committees of current CIARDS and all future employees.
- Increase security protection of identities of future Agency employees.
- This option may respond directly to probable Congressional intent to consider only retirement plans applicable to new and future employees.

CON:

- CSRS employees hired prior to 1 January 1984 retained under the regular OPM-administered Civil Service system would be subject to future legislative changes in the existing Federal Civil Service system at large. This could result in inequities between the "old" and "new" CIA Civil Service work force.
- As in the case of Option I, strong Congressional and Administration resistance must be expected for any proposals that would increase or maintain current levels of benefits and costs. Since new retirement plans to supplement mandatory Social Security coverage of new employees must be established in 1985, Congress will be receptive to consideration of proposals such as Option II even though objections may be raised as to levels of benefits.

OPTION III-

SEEK:

1. AMENDMENT TO CIARDS ADDING A SUPPLEMENTAL PLAN TO COVER FUTURE CIARDS PARTICIPANTS.

2. SPECIAL PROVISIONS FOR CIA CIVIL SERVICE-TYPES IN GENERAL GOVERNMENT-WIDE SUPPLEMENTAL PLAN.

Under this option, OPM would retain responsibility for all CSRS employees regardless of when hired. CIARDS-types would remain the responsibility of CIA.

PRO:

- ° Retains management of all current and future CIARDS employees under DCI legislative jurisdiction.
- ° Establishes recognition and special consideration for CIA Civil Service-type service comparable to existing special consideration for law enforcement officers, fire fighters, and other such categories of Federal CSRS employees.
- ° Congressional receptivity for an independent DCI-managed retirement plan for all future CIARDS employees can be expected to be favorable.

CON:

- ° DCI legislative jurisdiction would not be extended to CSRS-type employees.
- ° Retention of CIA Civil Service employees under the general Federal CSRS "special provision" category makes them vulnerable to future CSRS legislation which may not be compatible with CIA's best interest.
- ° Inclusion of CIA's CSRS-types under special provisions of the general Federal supplemental retirement plan will require strong justification to gain Congressional support.

OPTION IV - SEEK LEGISLATION TO ESTABLISH A DCI-MANAGED
RETIREMENT PLAN THAT WOULD INCLUDE THE INTELLI-
GENCE COMMUNITY (IC) IN A COMMUNITY-WIDE
RETIREMENT SYSTEM.

PRO: ° Would provide recognition and special considera-
 tion of any unique circumstances of IC elements.

CON: ° Except for CIA, IC components are sub-elements
 of larger organizations (DoD, State, FBI,
 etc.). An IC program would require legislation
 that transcends existing special retirement
 provisions of these organizations; coordination
 and approval among several Congressional over-
 sight committees would be required.

° Attempts to co-mingle CIA and the rest of
Community could jeopardize already recognized
unique requirements for CIARDS and the Agency's
efforts to justify overall CIA requirements.

° Difficulties can be expected in developing
justification of uniqueness in the varied
circumstances of "non-CIA" work force elements.

° Extremely difficult to administer.

If Option IV is selected, there are numerous
possibilities as to who is covered at different
benefit levels. Suggested possibilities are:

A. Establish two employee coverage categories,
each with their own level of benefits and
retirement eligibility criteria.

1. IC personnel who meet CIARDS criteria
(overseas service, etc.) would be eligible for
CIARDS-type benefits.

2. All others would receive CSRS-type
benefits.

B. Establish three employee coverage categories,
each with their own level of benefits and
retirement eligibility criteria.

1. IC personnel who meet CIARDS criteria
would be eligible for CIARDS-type benefits.

2. IC personnel who work under conditions requiring polygraphing, periodic background investigations, restrictions on personnel and social activities, etc., would be provided present CSRS-type benefits.

3. All other IC personnel categories would be subject to the benefits enacted for Federal CSRS employees hired after 1 January 1984.

Note:

- Some elements of the IC such as the FBI currently enjoy a higher annuity computation rate than CIARDS.